

In mid-2016 a new crumb rubber producer will start operations in Stockton. In addition, a large Northern California civil engineering project will require up to 4.2 million PTEs later in 2016 or 2017, and demand for processed TDF is strong. Processors interviewed for this study generally did not identify access to waste tire supplies and collection tip-fee revenue levels as major concerns; however, it is possible that these factors could significantly increase competition for waste tires generated in Northern California.

Supply and Demand for Tire-Derived Materials and Products

Crumb Rubber: Production of crumb rubber was up by 5 percent in 2015, using 7.6 million California PTEs. The major crumb rubber markets (i.e., paving, turf infill, and ground rubber/nuggets) appear to be relatively strong, with potential for modest short-term growth in 2016, and potentially more significant long-term growth (especially due to potential new Caltrans paving specifications, as discussed in the crumb rubber section on the following pages). As noted above, California's already ample crumb rubber production capacity is increasing significantly with the opening of a new facility in Stockton in early 2016. Although demand for crumb rubber is strong, it is not expected to increase markedly in the short term, and therefore it is likely that crumb rubber production capacity will continue to be much higher than demand. Notwithstanding that, it is possible that California producers could win market share from crumb rubber producers in other states, an outcome that CalRecycle's Tire Incentive Program (TIP) is aimed in part at encouraging.

A new factor that could potentially impact crumb rubber supply and demand in coming years is the possibility of using calcium carbonate derived from recycled carpets to replace a portion of crumb rubber used as a filler in certain TDPs. The Carpet America Recovery Effort (CARE), the carpet industry organization charged with compliance with California's carpet extended producer responsibility law, has issued more than \$2.1 million in grants to companies involved in tire recycling in an effort to expand this market. Increasing demand for crumb rubber and recycled carpet components are both CalRecycle priorities, and the potential for calcium carbonate to reduce sales of crumb rubber is currently uncertain.

Fine-Mesh Crumb Rubber: Supply and demand for fine-mesh crumb rubber in California is a classic chicken-and-egg situation which has continued for several years. A number of current and potential manufacturers of diverse molded/extruded TDPs have a need for fine-mesh crumb rubber. California crumb rubber producers do have the capacity to supply limited quantities, but often place higher priority on the much larger and better-established markets like paving and turf infill. This has led to challenges in securing fine-mesh crumb rubber supplies for existing producers and new ones interested in participating in CalRecycle's TIP or receiving services under CalRecycle's Feedstock Conversion Services contract. Moreover, to supply much greater volumes of fine-mesh crumb rubber meeting exacting specifications, California's producers would need to invest in new equipment. Given current low volumes and relatively strong demand in established markets, none have yet indicated a plan to do so.